

PUBLIC DISCLOSURE

SEPTEMBER 13, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

SHARON CO-OPERATIVE BANK

7 SOUTH MAIN STREET
SHARON, MASSACHUSETTS 02067

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire local community, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Sharon Co-operative Bank prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

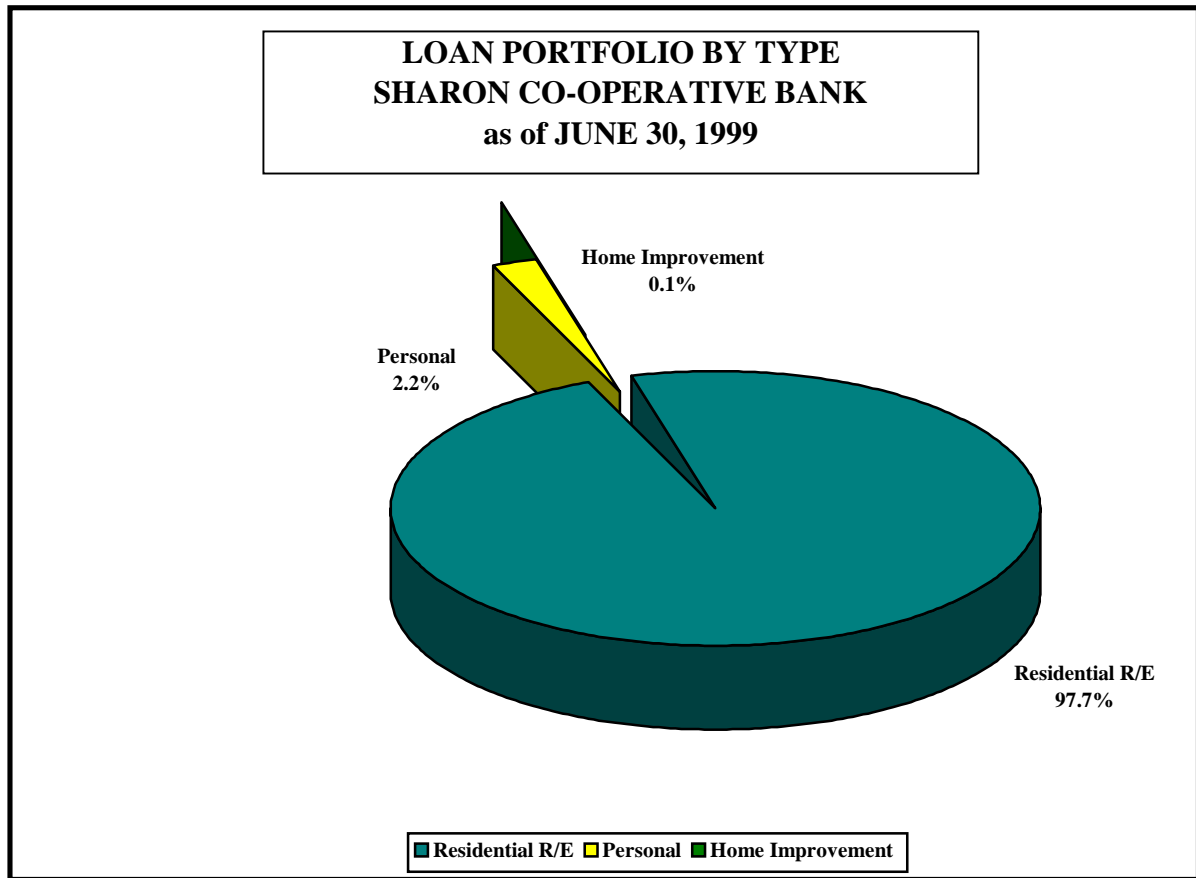
INSTITUTION'S CRA RATING: This institution is rated “SATISFACTORY ”

A CRA rating of "Satisfactory" is assigned. An institution in this group has a satisfactory record of ascertaining and helping to meet the credit needs of its entire delineated assessment area in a manner consistent with its resources and capabilities. The bank has shown a willingness to incorporate the regulations concerning CRA in its lending activity and services.

PERFORMANCE CONTEXT

Description of Institution

Sharon Co-operative Bank, founded in 1912, is a \$47,638,669 mutually owned, state chartered institution with its only office headquartered in Sharon, Massachusetts. The bank's loan portfolio represents 61.4% of its total assets. The bank is primarily a real estate lender with 97.7% of its loan portfolio consisting of residential real estate loans. The remaining loan portfolio consists of personal loans and home improvement loans. Refer to the following graph for additional information.



The bank maintains an Automated Teller Machine (ATM) at its main office in Sharon. This ATM is connected to the Money Access Service (MAC) network with additional access to NYCE and Cirrus.

Banking hours are considered convenient and accessible to the bank's customers.

Other than the bank's relatively small asset size and limited staff, there appears to be no significant financial or legal impediments which would limit the bank's ability to help meet the various credit needs of its assessment area.

Sharon Co-operative Bank operates in a competitive market. Local competitors include but are not limited to BankBoston, Citizen's Bank and Sharon Credit Union, as well as representatives of regional and national mortgage companies.

The bank was last examined for compliance with the Community Reinvestment Act by the FDIC on July 21, 1998. That examination resulted in a satisfactory rating.

Description of Assessment Area

Sharon Co-operative Bank's assessment area consists of the Town of Sharon, which is located within the Boston Metropolitan Statistical Area (MSA). Sharon contains one middle income census tract and two upper-income census tracts. There are no census tracts designated low or moderate-income.

The Town of Sharon is located in Norfolk County midway between Boston, Massachusetts and Providence, Rhode Island. Sharon was incorporated in 1765 and currently offers several recreational facilities, which include the 350-acre lake Massapoag and the 927-acre Moose Wildlife Sanctuary.

According to 1990 US Census Data, Sharon Co-operative Bank's assessment area has a combined population of 15,517 and a total of 5,351 housing units. Of the total housing units, 5116 or 95.6 percent are 1-4 family dwellings. Additional information from 1990 census data revealed that 4,601 housing units, representing 86.0 percent of the housing units within the assessment area are owner occupied, while 643 units or 12.0 percent are rental units, and 107 units or 2.00 percent are vacant.

According to CRA WIZ, Inc. demographic data for 1990, information on housing within the bank's assessment area indicates that the median home value is \$215,910 and the median year built is 1962. The median family income for the assessment area is \$66,939 and 4.3 percent of the total number of households in the assessment area are living below the poverty level.

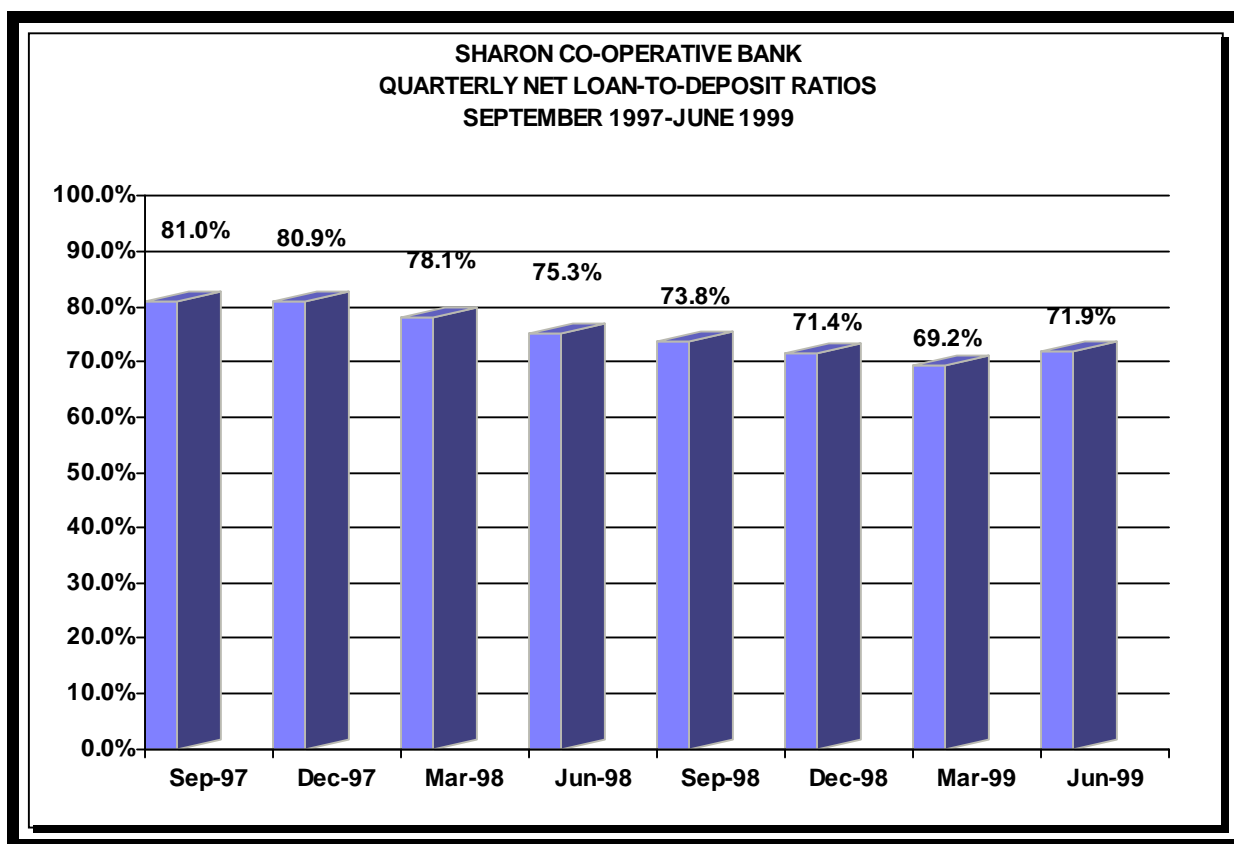
PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

An analysis of Sharon Co-operative Bank's net loan-to-deposit ratio was performed during the examination. The calculation incorporated eight quarters of the bank's net loan to total deposit figures utilizing the FDIC quarterly call reports. This review included the quarters ending September 30, 1997 through June 30, 1999.

The institution's average net loan-to-deposit ratio during this period was determined to be 75.3%. The average net loan-to-deposit ratio is reasonable given the bank's asset size, sole location and the competitive environment in which it operates.

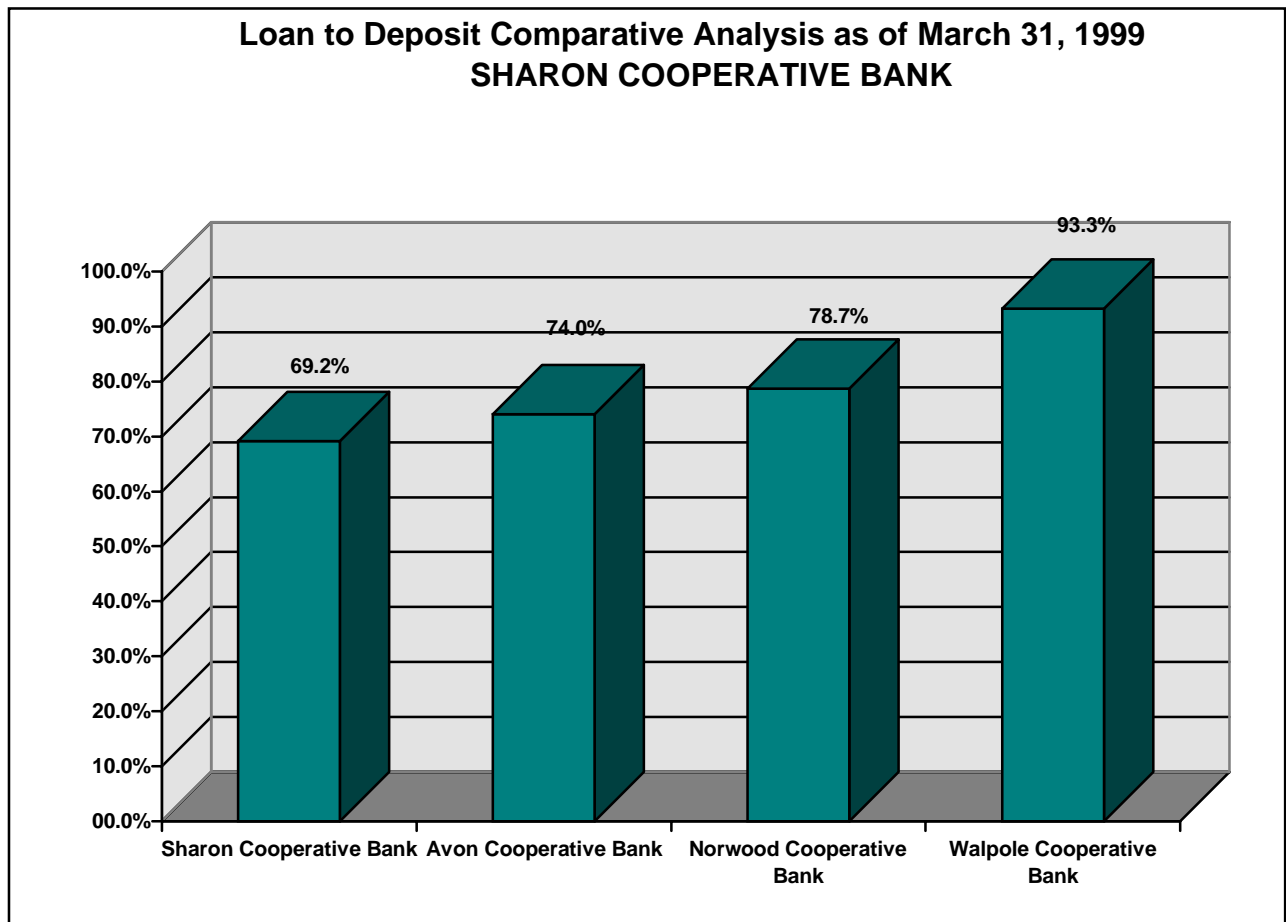
The following graph illustrates the loan to deposit trends.



Source: Quarterly FDIC Call Report Schedule RC-Balance Sheet

The bank's quarterly net loan-to-deposit ratios for the current exam period have been on a declining trend. This is due in part to a substantial number of loan pay-offs during the current exam period. These pay-offs are the result of customers refinancing mortgages for lower interest rates with other institutions. However, in period ending June 30 1999, the bank experienced a slight increase in its ratio and loan origination activity is currently on an upward trend.

The bank's loan to deposit ratio for the quarter ending March 31, 1999 was compared to the ratios of similarly situated institutions operating within the assessment area. Refer to the following graph.



Based on the above information and Sharon Co-operative Bank's capacity to lend, the capacity of other similarly-situated institutions to lend in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the assessment area, Sharon Co-operative Bank's loan-to-deposit ratio meets the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA.

Data regarding the bank's residential mortgage lending activity for 1998 and year-to-date September 9, 1999 was reviewed to determine the proportion of loans within the assessment area by number of originations and dollar amount. Mortgage lending data was obtained from the bank's Loan Application Register (LAR) filed under the provisions of the Home Mortgage Disclosure Act (HMDA).

The data revealed that the bank originated 113 HMDA reportable loans during this period. Of this number, 82 loans or 72.6% were originated within the bank's assessment area. Refer to the following table.

**RESIDENTIAL LENDING ACTIVITY INSIDE AND OUTSIDE THE
ASSESSMENT AREA
BY NUMBER**

	1998		Y-T-D 1999		TOTALS	
LOCATION	#	%	#	%	#	%
SHARON	51	69.9	31	77.5	82	72.6
INSIDE ASSESSMENT AREA	51	69.9	31	77.5	82	72.6
OUTSIDE ASSESSMENT AREA	22	30.1	9	22.5	31	27.4
TOTALS	73	100%	40	100%	113	100%

Source: HMDA/LAR Data for Sharon Co-operative Bank 1998 and Y-T-D September 10, 1999

The bank's lending within its assessment area was similar by dollar amount. During the period under review, the bank extended \$15,256,000 in HMDA reportable loans. Of this amount, \$11,649,000 or 71.5 percent was originated within the bank's assessment area.

Refer to the following table.

**RESIDENTIAL LENDING ACTIVITY INSIDE AND OUTSIDE THE
ASSESSMENT AREA BY DOLLAR AMOUNT**

	1998		Y-T-D 1999		TOTALS	
LOCATION	\$000s	%	\$000s	%	\$000s	%
SHARON	7,065	72.9	4,584	82.4	11,649	76.4
TOTAL INSIDE ASSESSMENT AREA	7,065	72.9	4,584	82.4	11,649	76.4
OUTSIDE ASSESSMENT AREA	2,627	27.1	980	17.6	3,607	23.6
TOTALS	9,692	100%	5,564	100%	15,256	100%

Source: HMDA/LAR Data for Sharon Co-operative Bank 1998 and Y-T-D September 10, 1999.

Based upon the above analysis, Sharon Co-operative Bank's loan distribution reflects a good disposition throughout the assessment area. Therefore, the institution's level of lending within its assessment area meets the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of residential mortgage loans extended within the bank's assessment area among borrowers of various income levels was conducted. Originations were categorized by the ratio of the applicant's reported incomes to the 1998 and 1999 estimated median family incomes of the Boston Metropolitan Statistical Area (MSA). The median family incomes for the Boston MSA were \$60,000 for 1998 and \$62,700 for 1999. Income figures were based on estimated 1998 and 1999 data from the Department of Housing and Urban Development (HUD).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA; moderate income is defined as 50 to 79 percent of the median family income; middle income is defined as income between 80 and 119 percent of the median family income; and upper income is defined as income greater than 120 percent of the median family income.

According to this analysis, of the total mortgage loans originated during the exam period, 2 or 2.4 percent were granted to low-income borrowers and 8 or 9.7 percent were granted to moderate-income individuals. The majority of loan originations within the bank's assessment area (52 loans or 63.5 percent) were granted to upper-income individuals.

Refer to the following table.

LOAN ORIGINATIONS BY INCOME OF BORROWER
BY NUMBER

% OF MEDIAN MSA INCOME	1998		Y-T-D 1999		TOTALS	
	#	%	#	%	#	%
<50%	0	0.0	2	6.5	2	2.4
50% - 79%	5	9.8	3	9.7	8	9.7
80% - 119%	14	27.5	5	16.1	19	23.2
120% >	32	62.7	20	64.5	52	63.5
N/A	0	0.0	1	3.2	1	1.2
TOTALS	51	100%	31	100%	82	100%

Source: HMDA/LAR Data for Sharon Co-operative Bank 1998 and Y-T-D September 10, 1999.

By dollar amount, the highest amount of originations (75.5 percent) was also granted to upper-income individuals. Low and moderate-income borrowers accounted for 1.7 percent and 5.3 percent respectively of the dollar amount of loans.

Refer to the following table.

**LOAN ORIGINATIONS BY INCOME OF BORROWER
BY DOLLAR AMOUNT**

% OF MEDIAN MSA INCOME	1998		Y-T-D 1999		TOTALS	
	\$000s	%	\$000s	%	\$000s	%
<50%	0	0.0	194	4.3	194	1.7
50% - 79%	343	4.8	278	6.1	621	5.3
80% - 119%	1,464	20.7	442	9.6	1906	16.4
120% >	5,258	74.5	3,545	77.3	8,803	75.5
N/A	0	0.0	125	2.7	125	1.1
TOTALS	7,065	100%	4,584	100%	11,649	100%

Source: HMDA/LAR Data for Sharon Co-operative Bank 1998 and Y-T-D September 10, 1999.

Data obtained from the PCI Services, CRA Wiz software was reviewed to compare Sharon Cooperative Bank's lending performance to that of other financial institutions granting loans within the assessment area during 1997 (the most recent year for which information was available). This information indicated that Sharon Cooperative Bank's performance was better than the aggregate. This analysis revealed that 18.8 percent of the number and 11.1 percent of the dollar amount of residential loans originated by Sharon Co-operative Bank were granted to low and moderate-income borrowers. By comparison, all other HMDA-reporting lenders within the assessment granted 7.7% of their loans to low and moderate-income individuals.

Refer to the following table.

**SHARON CO-OPERATIVE BANK COMPARED TO ALL OTHER HMDA-REPORTING
LENDERS**

Family Income Level	Number of Loans	Dollars in Loans (000's)
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	Sharon Co-operative Bank		All Other Reporters		Sharon Co-operative Bank		All Other Reporters	
Low	1	6.3	11	1.4	75	3.4	732	0.5
Moderate	2	12.5	48	6.3	175	7.7	4,216	3.0
Middle	4	25.0	133	17.4	388	17.2	17,684	12.8
Upper	9	56.2	411	53.9	1621	71.7	82,841	59.8
N/A	0	0.0	160	21.00	0	0.0	33,072	23.9
Total	16	100%	763	100%	2259	100%	138545	100%

Source: 1997 Aggregate HMDA Data compiled by PCI Services, Inc. CRA Wiz

The bank ranked 12th with a market share of 1.7% out of 180 HMDA reporters according to aggregate data provided by CRA, WIZ.

Given the demographics of the assessment area, the distribution of credit among borrowers of different income levels appears reasonable. Therefore, the bank is deemed to meet the standards for satisfactory performance under this criterion.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The bank's lending activity within the assessment area was reviewed in order to determine the distribution of lending among census tracts of various income levels. As mentioned in the performance context, the bank's assessment area contains one middle-income census tract and two upper-income census tracts. There are no census tracts designated as low or moderate-income.

The analysis of the bank's loan originations indicates that 66 loans or 80.5 percent were located in middle-income census tracts while 16 loans or 19.5 percent were located in upper-income census tracts.

Refer to the following table.

DISTRIBUTION OF HMDA LOANS WITHIN ASSESSMENT AREA BY INCOME CATEGORY OF CENSUS TRACT BY NUMBER

CENSUS TRACT	1998		Y-T-D 1999		TOTALS	
	#	%	#	%	#	%

MIDDLE	41	80.4	25	80.6	66	80.5
UPPER	10	19.6	6	19.4	16	19.5
TOTALS	51	100%	31	100%	82	100%

Source: HMDA/LAR Data for Sharon Co-operative Bank 1998 and Y-T-D September 10, 1999.

Based on the above analysis, the bank's lending activity reflects a reasonable penetration of the various census tracts within the assessment area. Therefore, performance under this criterion is deemed satisfactory.

5. REVIEW OF COMPLAINTS/FAIR LENDING

Sharon Co-operative Bank has not received any complaints related to its CRA performance since the previous examination. However, the bank has procedures in place should any consumer complaints related to CRA be received.

FAIR LENDING POLICIES AND PRACTICES

Sharon Cooperative Bank has adopted a Fair Lending policy that adheres to the guidelines established by the Division of Banks Regulatory Bulletin 2.3-101. The policy was last reviewed and approved by the bank's Board of Directors on February 10, 1997.

Detailed below is the institution's performance as it correlates to the guidelines established by the Division of Banks Regulatory Bulletin 2.3-101.

STAFF TRAINING

The bank's President/CEO, as well as the Compliance Officer keep abreast of the various regulations and laws. The bank has a continuing education program where employees take turns performing various bank duties to develop expertise and knowledge of compliance. The bank currently has a library of training tapes covering various bank topics. The bank subscribes to Teller Vision, a newsletter that includes information on regulations that cover customer service.

STAFF COMPOSITION AND COMPENSATION

The bank's staff consists of 8 full time and 6 part time employees. The bank has employees fluent in several languages including Spanish, Portuguese, Yiddish, Vietnamese and Indian. Loan personnel are paid on a salary basis, thereby fostering the origination of loans of all dollar amounts.

OUTREACH

Directors and staff of the bank are active participants in community organizations within the bank's assessment area. The President of the bank is on the local review board for Habitat for Humanity. All directors are involved in the day-to-day town activities and reach out to the community personally.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

The bank offers mortgages with a 10% minimum downpayment with competitive rates. The bank does not charge points, PMI or title insurance and with first time homebuyers, application and attorney fees are lower.

MARKETING

The bank utilizes various advertising and promotional activities to inform all segments of the assessment area about the products and services it offers. Management advertises on a regular basis in The Sharon Advocate, a leading local newspaper available throughout the bank's assessment area and in the Jewish Advocate.

CREDIT EDUCATION

Since the last examination, the bank has neither conducted nor participated with any organizations in offering credit education to loan applicants. However, bank management frequently offers assistance by providing advice to customers who are new to the home buying process.

COUNSELLING

Sharon Cooperative Bank counsels loan applicants who require such services and where appropriate refers the applicants to credit counseling agencies.

SECOND REVIEW PRACTICES

The president of the bank performs a second review of rejected loan applications to ensure that credit is being granted in accordance with bank policies and applicable laws. Denied applications are compared to approved applications to determine that the same underwriting standards have been applied equally.

INTERNAL CONTROL PROCEDURES

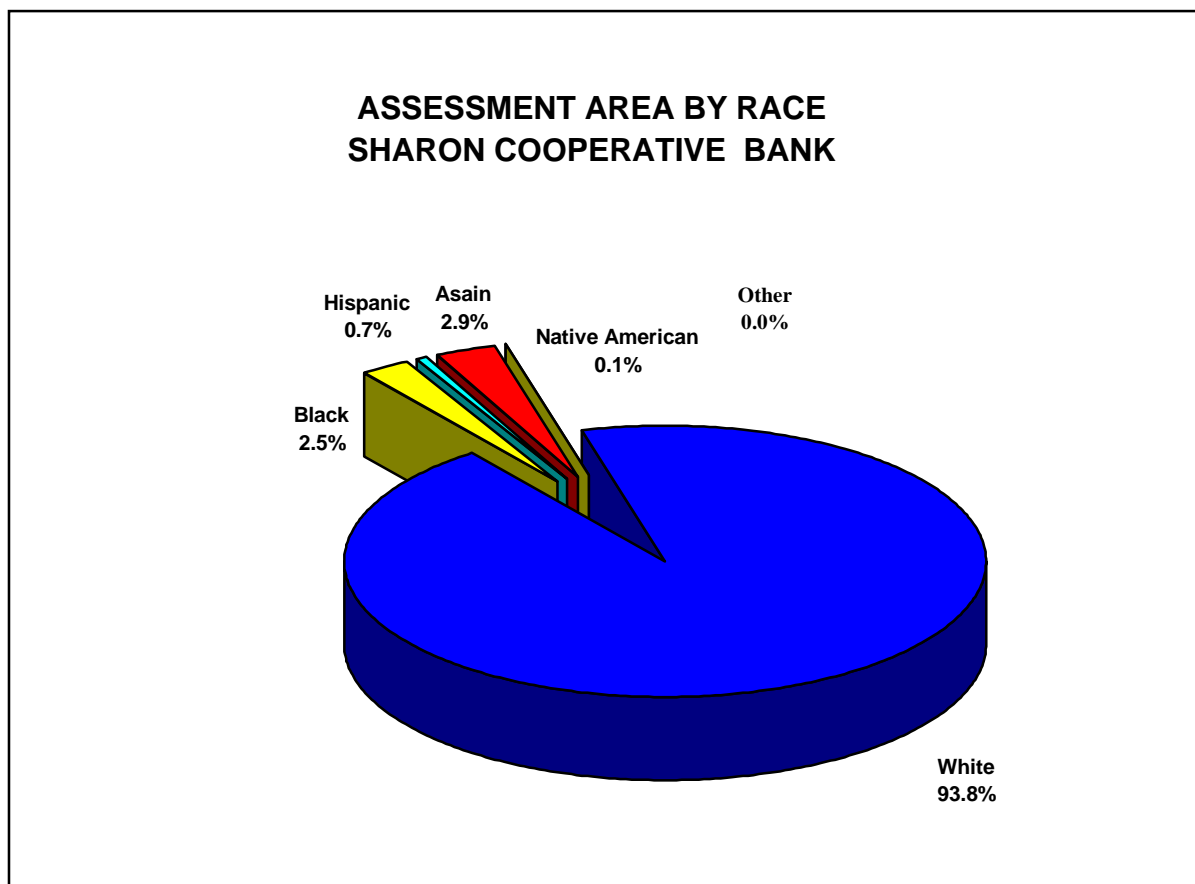
The CRA Officer performs a monthly review of the HMDA and withdrawn loan applications. Each application file is internally compared to the LAR for accuracy and to ensure that applicants are treated fairly by the loan officer. In addition, the bank's policy requires that the CRA Officer complete a review of complaints on an ongoing basis.

MINORITY APPLICATION FLOW

The bank's minority loan application flow was reviewed and compared to the assessment area's racial composition. The comparison of this data assists in deriving reasonable expectations for the institution's minority application flow.

According to 1990 census data, the bank's assessment area has a total population of 15,517. Of this number, 6.2 percent are minority.

Refer to the following graph for information on the racial composition of the bank's assessment area.



For the period January 1, 1998 through September 14, 1999, the bank received 119 HMDA-reportable loan applications. Of this number, 3 or 2.5 percent were from minorities. This percentage is lower than the percentage of minorities within the bank's assessment area.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

SHARON CO-OPERATIVE BANK

For compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **SEPTEMBER 13, 1999**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
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A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 19 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.